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UNCLAS PRAGUE 001191

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STATE PLEASE PASS USTR LISA ERRION
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E.O. 12958: N/A

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SUBJECT: CZECH REPUBLIC: BILATERAL INVESTMENT TREATY --
TIME TO ANSWER THE MAIL

REF: PRAGUE 00827

1. (U) This is an action request. Please see para 5.

2. (U) During an August 10 introductory call on Vaclav Rombald, Deputy Director General and Head of the Legal Section of the Ministry of Finance International Finance Department, econoff inquired about the timing and expectations for the report on the U.S.-Czech Bilateral Investment Treaty (BIT) due in cabinet this fall. Econoff acknowledged that the Department had not yet responded to the March 4, 2005 diplomatic note from the Czech Embassy requesting USG reaction to a revised proposal for amending the BIT.

3. (U) Rombald said that a progress report to the cabinet on GOCR efforts to renegotiate the U.S. BIT was due October (note: we understand the Czech Embassy has indicated a September time frame) and since the USG had not replied to the March dip note, it was difficult to say what they would report to cabinet. He urged the USG to provide a reply so the GOCR can have something to go on.

4. (U) Rombald emphasized that the goal of the GOCR was not/not to terminate the U.S. BIT, although it is "an ultimate possibility." Rombald added that a delegation was traveling to Ottawa the following week for its final attempt to renegotiate the Canada BIT. If the visit is not successful, Rombald said the GOCR would terminate the BIT with Canada.

5. (SBU) COMMENT AND ACTION REQUEST: Embassy feels strongly that the USG should answer the mail. In our view, even an interim reply explaining what it would take to provide a reply would be better than a no reply at all. U.S. companies, led by the American Chamber of Commerce in Prague, regard the BIT as an important element of the bilateral relationship. The GOCR understands the USG seeks to keep the current BIT in place, and that any effort to amend it will take time. Finance Minister Sobotka has told the Ambassador during previous meetings that he personally does not want to see the BIT terminated, but that he needs to demonstrate to the Cabinet continued progress on the negotiations. A reply consistent with previous exchanges indicating that the USG believes the current version best preserves the interests of U.S. investments in to the Czech Republic as well as Czech investments in the United States would be reasonable and appropriate. Embassy requests that the Department initiate interagency consultations to address the March dip note and provide guidance on how to respond to the GOCR's inquiry about the March dip note by September 15.

MUNTER